



MINUTES

**CITY OF SCOTTSDALE FIRE LOCAL BOARD OF THE
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
REGULAR MEETING
10:00 a.m., Thursday, April 21, 2011
Human Resources Verde Conference Room
7575 E. Main Street
Scottsdale, Arizona 85251**

PRESENT: Jack Cross, Chairman/Mayoral Designee
Velicia McMillan, Citizen Member/Merit Head
Steve Springborn, Elected Member

ABSENT: Jeffrey Burg, Citizen Member
Todd Cavner, Elected Member

STAFF: Colleen Barraza
Ken Nemec
Chanda Washington

Call to order:

Chairman Cross called the meeting to order at 10:02 a.m. He stated that the first order of business was the acknowledgement of Board Member Cavner's excused absence and Board Member Burg's anticipated late arrival.

Roll call:

A formal roll call confirmed the members present as stated above.

1. Review and Approval of Meeting Minutes—March 24, 2011.

Board Member Springborn requested that the fourth paragraph on page 3 be moved below the fourth motion.

**BOARD MEMBER SPRINGBORN MOVED TO APPROVE THE REGULAR
MEETING MINUTES OF THE MARCH 24, 2011 PSPRS FIRE LOCAL BOARD
MEETING AS AMENDED. BOARD MEMBER MCMILLAN SECONDED THE**

MOTION, WHICH CARRIED BY A VOTE OF THREE (3) TO ZERO (0). BOARD MEMBERS BURG AND CAVNER WERE ABSENT.

2. Review and Discussion of Report Prepared by PSPRS Concerning Purchase of Prior Service Credits

Mr. Nemec reported that at the Board's request, staff contacted Public Safety to obtain a list of the employees who have transferred prior service credits into the City of Scottsdale fund. Assistant Administrator Tracy Peterson supplied staff with the list in the Board's information packets. Although the Board requested the specific types of service purchased, that information was not readily available without pulling member files. Mr. Nemec invited the Board to review the list in order to determine whether additional information was required for the approximately 20 members for whom a service credit amount was shown. Board Member McMillan confirmed that 25 members were listed with service credits transferred.

Chairman Cross explained that the list appears to only reflect the amount of credits that went into the member's account. He pointed out that Dwayne Bader's account reflects that he purchased five years of prior service for \$116,000 and Timothy Ray Ballentyne transferred 10 years of prior service for \$40,000.

Board Member Springborn commented that he would like to know the total amount that was transferred to the City of Scottsdale fund, including the employer contributions. He pointed out that when the Fire Department accepts the transfer of a member from another department along with their credits of service, they take on a tremendous liability when they do not receive the employer contributions.

Chairman Cross explained that the letter from the Retirement System should reflect which member has been transferred into the City's system along with the amount of employer contributions transferred. Ms. Washington confirmed that the letter only reflects the employee's service credits transferred.

Board Member Springborn stressed that it was very important for the Board to find out whether the City of Scottsdale fund was receiving the employer contributions.

Discussion ensued regarding the City of Scottsdale having to pay the total liability of any Fire Department member that retires from the PSPRS. Board Member Springborn explained that when any member that was transferred without the fund receiving the employer contributions the City must cover the funds.

In response to Chairman Cross' inquiry, Board Member Springborn responded that in 2005 Mr. Ballentyne transferred over from the Apache Junction fire district.

Chairman Cross presented the Scottsdale Fire Department's 2009 Annual Report, explaining that the contributions section separates out the employer and employee contributions. He pointed out that in 2009 the City only received \$15,000 in transferred employer contributions.

Board Member Springborn recalled that in 2009 one firefighter who previously worked in Scottsdale transferred to another department and then transferred back to Scottsdale.

Chairman Cross volunteered to show the Board how to review the Annual Reports online, separate the employer and employee contributions, and accumulate the grand totals.

Board Member Springborn emphasized that the Board must be certain that the fire transfer premium tax was also included in the employer contributions. Chairman Cross reported that in 2009 the City of Scottsdale received \$3,174,675 for fire tax.

Board Member Springborn stated that the City's General Fund pays less than 1 percent of the total for the Fire Department's pensions. He stated that the Board must be sure that the Fire Department's liability was being offset by the employer contributions that must be transferred into the system.

Chairman Cross presented Scottsdale's 2009 Actuarial Evaluation, summarizing that the first page reflects that the contribution rate should be approximately 17.1 percent to pay for the benefits received by the members, the members pay 7.65 percent of that amount reducing the employer contribution rate to 10.06 percent, and the fact that the Fire Department is currently over funded reduces the contribution rate down to 9.55 percent. The document also adds in the health insurance cost for the subsidy funds kicked in bringing the contribution rate back up to 10 percent.

Chairman Cross recalled Board Member Springborn's comment that the fire insurance premium tax was large enough to pay for most of the contributions. He reiterated that in 2009 Scottsdale received \$3,174,675 in fire taxes and the employers only contributed \$202,000 of that amount.

Board Member Springborn pointed out that the pension section of the amortization of unfunded liabilities reflects negative 0.51, which means that the Fire Department fund has more in their account than the amortization indicates they should.

Chairman Cross confirmed that the second page reflects that the Fire Department's fund was 123 percent funded. Price fluctuations are smoothed over a seven-year period.

Chairman Cross explained that he figured out from the annual reports that the actual market value of Scottsdale's assets was \$16,870,000. He noted that once the future benefit increases reserve funding is subtracted, an asset total of \$14,800,000 remains.

Chairman Cross summarized that from a current market valuation basis they were only 85 percent funded. He stated that the market value of the assets has not caught up with the actuarial value of the assets in the system.

Chairman Cross noted that in the future the liabilities will go down, which should improve the funding values.

Board Member Springborn stated that the current market valuation of 85 percent does not take into account future perceived earnings and contributions. He recalled that the City uses a 30-year planning cycle adjusted annually to trend out what the plan has accomplished and what it might achieve in the future.

Chairman Cross reported that the legislative changes should help the plan on the liability side and was expected to improve the asset side over time.

He stated that page 3 reflects that in 2009, the Scottsdale Fire Department started off with \$15 million in its fund. Service credits of \$15,000 were transferred into the fund, the employer contributions totaled \$202,000, the premium tax contribution was almost \$2 million, the earnings distribution was \$3 million, leaving a balance of \$10.6 million.

Board Member Springborn requested that staff obtain information on the total cost of the Scottsdale firefighter pension fund once the fire insurance premium tax credit has been applied. Chairman Cross opined that the total cost would probably be less than 1 percent.

CLOSED PUBLIC HEARING

3. Motion to Recess into Executive Session

Chairman Cross deemed it unnecessary to recess into Executive Session.

RECONVENE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM MEETING FOLLOWING EXECUTIVE SESSION

4. Board Suggestions for Upcoming Agenda Items.

Chairman Cross directed staff to obtain data on the employer contributions into the retirement fund as discussed at today's meeting.

ADJOURNMENT:

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 10:28 a.m.

Respectfully Submitted by:

REVIEWED BY:

Ken Nemec
PSPRS Fire Local Board Secretary

Jack Cross
PSPRS Chairman/Mayoral Designee